

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2000-496-C - ORDER NO. 2001-062

JANUARY 22, 2001

IN RE: Application of Telicor, Inc. for a Certificate of Public Convenience and Necessity to Provide Resold and Facilities-Based Local Exchange and Interexchange Telecommunications Services within the State of South Carolina.) ORDER) GRANTING) CERTIFICATE FOR) LOCAL AND) INTEREXCHANGE) AUTHORITY
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This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Telicor, Inc. ("Telicor" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold and facilities-based local exchange and intrastate interexchange telecommunications services within the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280(B) (Supp. 1999) and the Regulations of the Public Service Commission of South Carolina.

By letter, the Commission's Executive Director instructed Telicor to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The proposed Notice of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. Telicor complied with this instruction and provided the Commission with proof of publication of the Notice of Filing.

A Petition to Intervene was received from the South Carolina Telephone Coalition ("SCTC") on December 1, 2000. Thereafter, on December 27, 2000, Counsel for SCTC filed with the Commission a Stipulation in which Telicor stipulated that it would only seek authority in non-rural local exchange ("LEC") service areas of South Carolina and that it would not provide any local service to any customer located in a rural incumbent's service area, unless and until Telicor provided written notice of its intent prior to the date of the intended service. Telicor also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. Telicor agreed to abide by all State and Federal laws and to participate to the extent that it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to the granting of a statewide Certificate of Public Convenience and Necessity to Telicor provided the conditions contained in the Stipulation are met. The Stipulation is approved and attached as Order Exhibit 1.

A hearing was commenced on January 11, 2001, at 10:30 a.m. in the Commission's Hearing Room. The Honorable William Saunders, Chairman, presided. Telicor was represented by Scott A. Elliott, Esquire. Adelaide D. Kline, Staff Counsel, represented the Commission Staff. Barbara J. Crawford, Auditor, Utilities Department, and David S. Lacoste, Engineer (Associate), Utilities Department, testified on behalf of the Commission Staff.

David J. Porte, Chief Executive Officer (CEO) and Chairman of the Board of Telicor, appeared and offered testimony in support of the Company's Application. As

CEO and Chairman of the Board of Telicor, Mr. Porte testified that his duties include full responsibility for the profit and loss position of the Company, all operational responsibilities, and chairmanship of the board. Telicor is a privately held Delaware corporation, with headquarters located in Seattle, Washington. Mr. Porte stated that Telicor is currently certificated in twenty-three states and is currently providing services in the state of Washington. He said the Company plans to begin operating in several states during the month of January, 2001, and expects to set up its Raleigh, North Carolina, sales and customer service office during the second quarter of 2001. The record reveals that Telicor provides a full range of converged telecommunications services to multi-state, mid-tier businesses who have offices in three or more states and spend \$15,000 or more per year on telecommunications services. Mr. Porte said Telicor usually offers a combination of support for underlying carriers and serves as a single point of contact for customers. Mr. Porte further testified that Telicor has received authorization to operate as a foreign corporation in the State of South Carolina by the Secretary of State.

Upon receiving certification from the Commission, Telicor intends to offer interexchange service to both business and residential customers throughout the state but will primarily target multi-state business customers. Mr. Porte said that Telicor's business plan includes the offering of local, long distance, and data services, as well as other services and products that group around telecommunications such as network integration and network integration products. Further, Telicor intends to provide local exchange service to customers located in non-rural local exchange carriers' service areas of South

Carolina. Telicor will initially resell the facilities of the existing local exchange carriers or underlying carriers that presently service South Carolina. Telicor will primarily resell the facilities and services of BellSouth and will also use unbundled network elements and services purchased from BellSouth and other incumbent local exchange providers (ILECs) to provide service through Telicor's facilities. Telicor plans to provide the following traditional interexchange services: 1+and 101XXXX outbound dialing; 800/888 toll-free inbound dialing; calling cards; and data services. As to local services, Telicor will offer: local exchange and extended area service, toll restriction, call management features, touch tone, caller ID services, and any other services available on a resale of unbundled network element basis from the incumbent local exchange carrier or other certificated carriers within Telicor's service area. Telicor intends to utilize Sprint, WorldCom and Qwest as its underlying carriers for interexchange service. The Company intends to offer local service using facilities in the incumbent local exchange telephone companies (LECs) certificated to provide local exchange service in the State of South Carolina. Telicor intends to initially negotiate with BellSouth.

Mr. Porte presented testimony on Telicor's technical, financial, and managerial ability to offer services in South Carolina. Mr. Porte said the Company traditionally markets its services through direct contact by its own sales force which will work out of the Raleigh, North Carolina, office in the near future. He testified the sales force will identify its target market by vertical alignment or referrals. He said the Company does not do telemarketing. Telicor also operates a customer service department which responds to customer inquiries. Kerri Bumgardener heads Telicor's customer service

department and can be reached at the toll-free customer service telephone number 877-564-5611, available twenty-four hours a day, seven days a week. Mark Bierugel is the Company's regulatory contact person and customer complaint person. Mr. Porte's testimony stated that Telicor has sufficient technical resources and ability to provide the telecommunications services it proposes to provide in South Carolina.

Mr. Porte also testified the Company's senior management team is highly skilled, having acquired considerable experience in the telecommunications industry. The record reveals that David J. Porte, Chief Executive Officer, and James E. Dunlap, Chief Operating Officer, founded Telicor. Mr. Porte testified that he had been the founder and chief executive officer of Astrolabe Systems, a highly successful technology management company that was acquired by GCI in 1998. Mr. Porte currently serves as Vice President and General Manager of Internet Services for GCI. Mr. Porte was directly responsible for Astrolabe's successful rural telecommunications initiatives utilizing an Application Service Provider (ASP) model to deliver distance education via the Internet. Mr. Dunlap has more than fifteen years of experience in the technology sector spanning a wide variety of industries, including telecommunications, electric utility and consumer products. He currently serves as Director of Critical Accounts for GCI, a converged telecommunications company. Additionally, at GCI, Mr. Dunlap is responsible for providing unified telecommunications management services, revenue retention and margin management strategies. Mr. Dunlap was also the founder and chief executive officer of Digitech, a successful consulting firm specializing in the electric utility and natural gas industries.

Mr. Porte also testified that Telicor has the financial resources and ability to provide telecommunications services in South Carolina. He stated the Company is well funded, is very liquid, and has cash availability. Mr. Porte stated that Telicor has just closed on a \$10 million dollar finance package and is expected to close soon on a \$14 million financing package. Rashid Stitou, Director of Finance, will be the financial contact person for the Company.

Barbara J. Crawford, Commission Staff witness, testified that the Company submitted June 30, 2000, financial statements with its Application. She testified that the statements indicated that Telicor had only been operating a short time and was still in a start up mode at the time of the financial statements. She said the Company had a strong cash and current asset position with no long term debt, and appears to be in good position to fund Telicor's operations. Mrs. Crawford said that Telicor has a good ratio which indicates that the Company has the ability to meet its current liabilities with current assets. The Company requested the Commission's permission to be exempt from any record-keeping rules or regulations that might require the Company to maintain its financial records in conformance with the Uniform System of Accounts. According to the record, Telicor currently maintains its book of accounts in accordance with the Generally Accepted Accounting Principles ("GAAP").

Telicor also requested a waiver of S.C. Code Ann. Regs. 103-631 so that the Company will not be required to publish local exchange directories. According to the record, Telicor will make arrangements with the incumbent local exchange carriers whereby the names of Telicor's customers will be included in the directories published

by the incumbent local exchange carriers. At the hearing, the Company additionally requested a waiver of 26 S.C. Code Ann. Regs. 103-610 (1976) so that Telicor can maintain its records outside of South Carolina. The Company wishes to maintain its books and records at its headquarters in Seattle, Washington.

David S. Lacoste of the Commission Staff presented testimony to the Commission on the Utilities Department's findings with respect to Telicor's Application for a Certificate of Public Convenience and Necessity. Lacoste's testimony includes several recommended changes to the Company's tariff. The Company agreed to make the Commission Staff's suggested changes to its final tariff. Mr. Lacoste's review recommended that the Commission approve Telicor's request for waivers of traditional regulatory requirements concerning financial record keeping, the location of its records, and the publishing of a local directory.

Upon receiving certification from the Commission, Mr. Porte testified Telicor will abide by and comply with the Commission's rules and regulations and Commission Orders in its operations in South Carolina. Further, the testimony reveals Telicor has never had an application for a certificate of public convenience and necessity denied nor has the Company ever been the subject of an investigation by a state regulatory body or the Federal Communications Commission. Additionally, as of the hearing date, Telicor had not provided any intrastate telecommunications services within the State of South Carolina.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Telicor is organized as a corporation under the laws of the State of Delaware and has received a certificate from the South Carolina Secretary of State to transact business within South Carolina as a foreign corporation.

2. Telicor wishes to provide local exchange services and interexchange services within the State of South Carolina.

3. The Commission finds that Telicor possesses the technical, financial, and managerial resources sufficient to provide the service requested.

4. The Commission finds that Telicor's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. §58-9-280(B)(3) (Supp. 1999).

5. The Commission finds that Telicor will support universally available telephone service at affordable rates.

6. The Commission finds that Telicor will provide services which will meet the service standards of the Commission.

7. The Commission finds that the provision of local exchange service by Telicor "does not otherwise adversely impact the public interest." S.C. Code Ann. §58-9-280(B)(5) (Supp. 1999).

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Telicor to provide competitive resold and facilities-based intrastate local exchange services only to customers located in the non-rural areas of South Carolina. The terms of the Stipulation between Telicor and the SCTC are approved, and adopted as a portion of this Order. Any proposal to provide local exchange service to a customer in a rural incumbent LEC's service area is not included in the instant grant of authority. Further, the Company is granted authority to provide facilities-based and resold intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), directory assistance, travel card service or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. With regard to the interexchange service offerings of Telicor, the Commission adopts a rate design which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. Telicor shall not adjust its interexchange rates below the approved maximum level without notice to the Commission and to the public. Telicor shall file its proposed rate changes, publish its notice of such changes, and file affidavits of

publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 6, 1993). Any proposed increase in the maximum rate level for interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1999).

4. If it has not already done so by the date of issuance of this Order, Telicor shall file its long distance tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations. Prior to offering local exchange services, Telicor shall file its final tariff with the Commission.

5. Telicor is subject to access charges pursuant to Commission Order No. 86-584 in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

6. With regard to the Company's resale of interexchange service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

7. Telicor shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Telicor changes underlying carriers, it shall notify the Commission in writing.

8. With regard to the origination and termination of toll calls within the same LATA, Telicor shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the Federal Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

9. Telicor shall file annual surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports can be found at the Commission's website at www.psc.state.sc.us/forms. The title of this form is "Annual Information on South Carolina Operations for Interexchange Companies and AOS". Be advised that the Commission's annual report for telecommunications companies requires the filing of intrastate revenues and intrastate expenses.

10. Title 23, Chapter 47, South Carolina Code of Laws Ann., governs the establishment and implementation of a "Public Safety Communications Center," which is more commonly known as a "911 system" or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of

South Carolina, the Commission hereby instructs Telicor to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating. Contact with the appropriate 911 service authorities is to be made before beginning telephone service in South Carolina. Accompanying this Order is an information packet from the South Carolina Chapter of the National Emergency Number Association ("SC NENA") with contact information and sample forms. The Company may also obtain information by contacting the E911 Coordinator at the Office of Information Resources of the South Carolina Budget and Control Board. By this Order and prior to providing services within South Carolina, Telicor shall contact the 911 Coordinator in each county, as well as the 911 Coordinator in each city where the city has its own 911 system, and shall provide information regarding the Company's operations as required by the 911 system.

11. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

Telicor shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The "Authorized Utility Representative Information" form can be found at the Commission's website at www.psc.state.sc.us/forms. This form shall be utilized for the provision of this

information to the Commission. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

12. Telicor shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

13. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

14. Telicor shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Telicor shall keep financial records on an intrastate basis for South Carolina to comply with the annual and gross receipts filings. The "Annual Report for Competitive Local Exchange carriers" form can be located at the Commission's website at www.psc.state.sc.us/forms. This form shall be utilized by the Company to provide the Commission with annual financial information on the Company's intrastate operations. Additionally, pursuant to the Commission's regulations, the Company shall file a CLEC Service Quality Quarterly Report with the Commission. The proper form for this report is Form #110 and can be found at www.psc.state.sc.us/forms/default.htm.

15. By its Application, Telicor requested waivers from Commission requirements (1) of publishing a directory, (2) of maintaining its books and records within the state, and (3) requested permission to maintain its financial records in

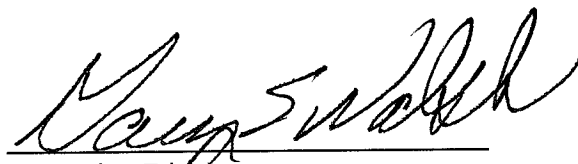
accordance with GAAP. The Commission finds the reasoning behind Telicor's requests for waivers of publishing a directory, maintaining its books and records within the state and in accordance with GAAP reasonable and hereby grants the waivers of these regulations. In the future, upon the request of the Company, this Commission may grant a waiver of a specific regulation if the Company demonstrates that compliance with the regulation introduces unusual difficulty and that the waiver is in the public interest. However, Telicor is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

16. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

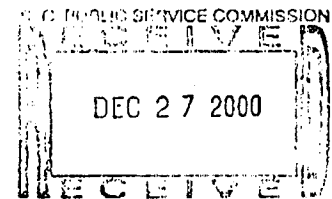
ATTEST:


Executive Director

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 2000-496-C



Re: Application of Telicor, Inc. for a Certificate)
of Public Convenience and Necessity to Provide)
Resold and Facilities-based Local Exchange)
and Interexchange Telecommunications)
Services in the State of South Carolina)

STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and Telicor, Inc. ("Telicor") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose Telicor' Application. SCTC and Telicor stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Telicor, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. Telicor stipulates and agrees that any Certificate which may be granted will authorize Telicor to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. Telicor stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. Telicor stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and until Telicor provides such rural incumbent LEC and the Commission with written notice of its

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intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, Telicor acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. Telicor stipulates and agrees that, if Telicor gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then Telicor will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. Telicor acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and Telicor, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

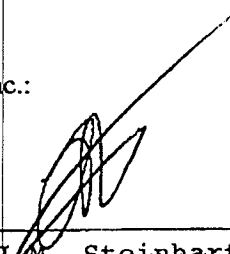
8. Telicor agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

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9. Telicor hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 27th day of December, 2000.

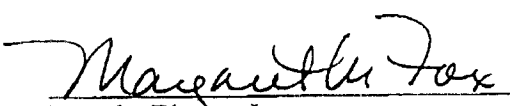
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ATTACHMENT A

South Carolina Telephone Coalition Member Companies
for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.
Chesnee Telephone Company
Chester Telephone Company
Farmers Telephone Cooperative, Inc.
Ft. Mill Telephone Company
Heath Springs Telephone Company Inc.
Home Telephone Company, Inc.
Lancaster Telephone Company
Lockhart Telephone Company
McClellanville Telephone Company
Norway Telephone Company
Palmetto Rural Telephone Cooperative, Inc.
Piedmont Rural Telephone Cooperative, Inc.
Pond Branch Telephone Company
Ridgeway Telephone Company
Rock Hill Telephone Company
Sandhill Telephone Cooperative, Inc.
St. Stephen Telephone Company
West Carolina Rural Telephone Cooperative, Inc.
Williston Telephone Company

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